

VZCZCXRO7208  
PP RUEHROV  
DE RUEHDS #1278/01 1521002

ZNR UUUUU ZZH  
P 011002Z JUN 09  
FM AMEMBASSY ADDIS ABABA  
TO RUEHC/SECSTATE WASHDC 4955  
INFO RUEPADJ/CJTF HOA PRIORITY  
RUEAIIA/CIA WASHINGTON DC PRIORITY  
RUEKDIA/DIA WASHINGTON DC PRIORITY  
RUEWMFD/HQ USAFRICOM STUTTGART GE PRIORITY  
RUEKJCS/JOINT STAFF WASHINGTON DC PRIORITY  
RUEHLMC/MILLENNIUM CHALLENGE CORP PRIORITY  
RUCNIAD/IGAD COLLECTIVE  
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RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS SECTION 01 OF 02 ADDIS ABABA 001278

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SENSITIVE

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E.O. 12958: N/A

TAGS: EAIR BEXP ECON ETRD EAGR ET  
SUBJECT: ETHIOPIAN AIRLINES CEO DISCUSSES BOEING AND AIRPORT  
STORAGE

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SUMMARY

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¶1. (SBU) Ethiopian Airlines (EAL) CEO Girma Wake discussed his relationship with Boeing and plans for airport expansion during a May 22 meeting with the Ambassador. Wake confirmed that EAL placed a deposit on five Boeing 777 aircraft the previous day based on his comfortable, ongoing relationship with Boeing. He also noted that the French were "overly aggressive" in their efforts to promote an Airbus purchase. Wake also detailed plans to build an additional 7,000 square meter airport storage facility for perishable items and offered predictions on when a larger airport will have to be built outside of Addis Ababa. END SUMMARY.

BOEING STAYS IN, AIRBUS OUT

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¶2. (SBU) EAL CEO Girma Wake spoke candidly with the Ambassador and EconOff about his relationship with Boeing during a May 22 meeting. Wake confirmed that that EAL still enjoys a comfortable relationship with Boeing despite the manufacturing delays of the Dreamliner 787 aircraft. As evidence of this fact, he revealed in confidence that EAL had just paid deposits on five Boeing 777 aircraft on the evening of May 21. (Note: Wake also stated that many in government are not pleased with the Boeing Dreamliner delay and would quickly shoot down any additional dealings with Boeing, so he will have to present this new purchase to government officials delicately. End Note.) Wake jokingly stated that Boeing will "make up for" the USD 160 million in losses EAL has sustained from the delayed Dreamliner delivery with attractive pricing on the 777s. Oddly enough, it appears that Boeing's ability to deliver the 777s in 2010 alongside the 787s also helped seal the deal on this purchase. The corresponding Airbus aircraft that EAL was considering (NFI) would be a more fuel-efficient aircraft; however, its expected delivery date would have been a few years away. A final factor that dissuaded Wake from favoring Airbus was the overwhelming lobbying efforts from Airbus and the French Government. He indicated that relentless pressure from the French backfired on them.

AIRPORT TO EXPAND PERISHABLE STORAGE SPACE

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¶3. (SBU) Given the high demand for perishable cargo transiting Addis Ababa's Bole airport, new storage facility plans are in the works. Wake stated that a Request for Proposal closed on March 9 to build a 7,000 square meter perishable storage facility at the airport. He expects that they will start building by the end of 2009 and that it will take one to one-and-a-half years to complete construction of the three-story structure. This facility would primarily service the growing needs in the floriculture and vegetable export businesses. During the discussion of potential Sheik Mohammed Al-Amoudi or Dutch investor involvement, Wake dismissed the thought of introducing more than one cargo-handling agent at Bole airport. He cited a number of large international airports in Europe and the Middle East that successfully operate with one handling agent.

¶4. (SBU) Currently, 55,000 tons of perishables transit Bole airport each year. Wake predicts that 100,000 tons of perishable goods will transit the airport in the near future. The airport currently operates a 17,000 square meter storage facility, which was completed in 2006. Wake stated that this facility only has 2,000 square meters of perishable/cold storage within it, but has more than enough dry storage for the time being.

BOLE AIRPORT TO MOVE OUTSIDE OF ADDIS?

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¶5. (SBU) Wake went on to say that Bole airport will be too small to accommodate the expected growth in air traffic within about seven to eight years. He suggested that a larger airport would be better suited outside of the populous city area and could be built in 15-20 years. Wake stated that authorities are already looking at a potential plot of land south of the city via Debre Zeit road. This plot is about 300 meters lower in elevation, which would facilitate aircraft takeoffs and landings due to the denser air at the lower

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elevation.

COMMENT

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¶6. (SBU) EAL's deal on the new 777s is good news not only for Boeing, but for other U.S. companies as well. Either General Electric or Pratt and Whitney could supply the engines for these aircrafts and both have representatives working within EAL to assist in lobbying efforts. Wake did not indicate which supplier he preferred for engines, but did mention that they had corrected a previous problem with Pratt and Whitney engine servicing. In regards to expanding storage space and expanding airport size, one can only hope that producers can make use of these new facilities to boost exports in the medium to long term. End Comment.

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